



Oldham County Water District

P.O. Box 51 • Buckner, KY 40010

502-222-1690 • Fax 502-222-5701

Superintendent
Phillip Ward

Attorney
Croley Moore & Snell

Auditor
David Hicks C.P.A.

Commissioners
Gus Daeuble
Melvin Milburn
F. Bingham Ewen
Vincent J. Attardi
Wm. Robert Durbin

RECEIVED
FEB 04 2005
PUBLIC SERVICE
COMMISSION

Ms. Beth O'Donnell, Exec. Director
Public Service Commission

February 1, 2005

Dear Ms. O'Donnell:

The Oldham County Water District has experienced rapid growth to our customer base in the last few years. We now have four full-time meter readers reading continuously in order to get the readings in and bills out on time. Due to this we are looking for ways to increase the productivity of our readers and shorten the time out reading.

We are interested in testing the radio read meters and propose to install 65 radio read meters in Cedar Point Condos, a new development in the county. We feel this test should give us the information we need to compare manual reading to radio and decide if a total change over would be warranted.

Thank you for your time and assistance in this matter.

William D Baker, Assistant Superintendent

Oldham County Water District

P.O. BOX 51 BUCKNER, KENTUCKY 40010

(502) 222-1690

Beth A. O' Donnell
Executive Director
KY Public Service Commission
PO Box 615
Frankfort, KY 40602

Case 2005-00066

RECEIVED
FEB 04 2005
PUBLIC SERVICE
COMMISSION

RE: Formal Application for Tariff Revisions & to increase certain non-recurring charges.

This is an application to revise language and certain non-recurring charges for the Oldham County Water District. Attached is the non-recurring charge cost justifications and the proposed new tariff.

Oldham County Water District is not requesting a water rate increase at this time. However, increased costs attributable to certain non-recurring charges can no longer be absorbed by the District. The customers affected by these increases will be the customers that cause the District to incur these additional expenses.

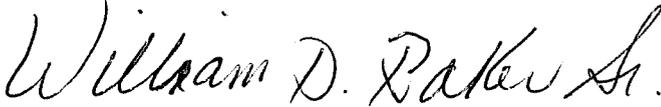
The additional revenue generated from the proposed tariff revisions does not exceed by five (5) percent the total revenues provided by all miscellaneous and nonrecurring charges for a recent twelve (12) month period.

The District has previously filed income statements and balance sheets with the Public Service Commission. These income statements and balance sheets are currently on file with the Commission.

The District will publish the enclosed public notice of these requested rate revisions in the local newspaper for three consecutive weeks. The first notice has already been published. We will follow up with affidavit from the newspaper verifying that the notice was published for three consecutive weeks.

A copy of this application and related filings has been sent to the Office of the Attorney General, State Capitol Building, Suite 118, Frankfort, KY 40601.

Very truly yours,


enclosure

Oldham County Water District

P.O. BOX 51 BUCKNER, KENTUCKY 40010

(502) 222-1690

Hon. Gregory D. Stumbo
Office of Attorney General
The Capitol, Suite 118
Frankfort, KY 40601

RECEIVED
FEB 04 2005
PUBLIC SERVICE
COMMISSION

RE: Formal Application for Tariff Revisions & to increase certain non-recurring charges.

This filing shall serve notice that Oldham County Water District has filed an application with the Public Service Commission to revise its tariff language and to adjust certain non-recurring charges.

Oldham County Water District is not requesting a water rate increase at this time. However, increased costs attributable to certain non-recurring charges can no longer be absorbed by the District. The customers affected by these increases will be the customers that cause the District to incur these additional expenses.

The District will publish a public notice of these requested rate revisions in the local newspaper for three consecutive weeks. You will find a copy of this publication notice enclosed.

Very truly yours,

William D. Baker Sr.

enclosure

NOTICE

Oldham County Water District proposes to make the following revisions to its schedule of charges. The proposed effective date for the change is March 18th 2005.

5/8 x 3/4 Radio read meter (Cedar Point Condo) \$ 894.48

The charges/rates contained in this notice are the charges/rates proposed by the Oldham County Water District. However, the Public Service Commission may order charges/rates to be charged that differ from these proposed charges/rates. Such action may result in charges/rates for consumers other than the charges/rates in this notice.

Any corporation, association, body politic, or person may, by motion within thirty (30) days after publication of this fee change, request leave to intervene; and the motion shall be submitted to the Public Service Commission, Post Office Box 615, Frankfort, KY 40602, and shall set forth the grounds for the request including the status and interest of the party.

Intervenors may obtain copies of the application and related filings by contacting the water district.

The Water District has available for inspection at its office the proposed changes to its Rules and Regulations. The office is located at 3707 Highway 146, Buckner, KY 40010.

This notice is published pursuant to 807 KAR 5:011-Tariffs.

Oldham County Water District

FOR Oldham County
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

Oldham County Water Distirct
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

5/8 x 3/4 Radio Read Meter (Cedar Point Condo)

\$ 894.48

DATE OF ISSUE 2-1-05
Month / Date / Year

DATE EFFECTIVE 3-18-05
Month / Date / Year

ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

**Average Meter Connection Expense
Cost Justification**

Name of Utility Oldham County Water District

The following is an itemization of expenses for providing a metered service connection.

A. Meter Size

5/8 – inch 3/4 – inch 1 – inch 1 1/2 - inch 2 – inch

Other (specify) Radio Read

B. Materials Expense

	<u>Quantity</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1. Water Meter	<u>1</u>	<u>\$ 80.00</u>	<u>\$ 80.00</u>
2. Meter Yoke	<u>1</u>	<u>\$ 68.00</u>	<u>\$ 68.00</u>
3. Corporation Stop	<u>1</u>	<u>\$ 17.00</u>	<u>\$ 17.00</u>
4. Meter Box & Top	<u>1</u>	<u>\$ 56.00</u>	<u>\$ 56.00</u>
5. Miscellaneous Fittings (Itemize)			
<u>Electronic Modules</u>	<u>1</u>	<u>\$ 90.00</u>	<u>\$ 90.00</u>
<u>6" x 3/4 saddle</u>	<u>1</u>	<u>\$ 31.00</u>	<u>\$ 31.00</u>
<u>3/4 P.R.V.</u>	<u>1</u>	<u>\$ 43.00</u>	<u>\$ 43.00</u>
<u>3/4 female comp. Fitting</u>	<u>1</u>	<u>\$ 8.00</u>	<u>\$ 8.00</u>
<u>P.E. tubing stiffer</u>	<u>1</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
<u>Module Bracket</u>	<u>1</u>	<u>\$ 2.75</u>	<u>\$ 2.75</u>

Total Material Expense
(add total cost)

\$ 396.75

C. Service Pipe Expense

Type of Service Pipe <u>P.E tubing</u>	Size of Service Pipe <u>3/4"</u>	<u>Quantity</u>	<u>Unit Cost</u>	<u>Total Cost</u>
1. Short Side Service		<u>10 foot</u>	<u>.30</u>	<u>\$ 3.00</u>
2. Long Side Service		<u>70 foot</u>	<u>.30</u>	<u>\$ 21.00</u>
Average Service Pipe Expense (add total cost and divide by 2)				<u>\$ 12.00</u>

D. Installation Labor Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>1</u>	<u>\$ 70.00</u>	<u>\$ 70.00</u>
2. Long Side Service	<u>2</u>	<u>\$ 140.00</u>	<u>\$ 140.00</u>
Average Installation Labor Expense (add total cost and divide by 2)			<u>\$ 105.00</u>

E. Installation Equipment Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Short Side Service	<u>1</u>	<u>\$ 180.00</u>	<u>\$ 180.00</u>
2. Long Side Service	<u>2</u>	<u>\$ 180.00</u>	<u>\$ 180.00</u>
\$ 180.00 charge for (3 hour minimum)			
Average Installation Equipment Expense (add total cost and divide by 2)			<u>\$ 180.00</u>

F. Installation Miscellaneous Expense

	<u>Total Hours</u>	<u>Hourly Rate</u>	<u>Total Cost</u>
1. Inspection	<u>1</u>	<u>\$ 25.00</u>	<u>\$ 25.00</u>
2. Site Clean up	<u>1</u>	<u>\$ 45.00</u>	<u>\$ 45.00</u>
3. Other	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Average Installation Miscellaneous Expense (add total cost)			<u>\$ 70.00</u>

G. Overhead Expense

1. Installation expense (<u>\$ 408.75</u>) times overhead rate (<u>10%</u>)	<u>\$ 40.87</u>
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H. Administrative Expense

1. Office expense for establishing a new account and billing record.	<u>\$ 89.86</u>
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(See Attached Sheet for Clarification)

I. Total Expenses

Material Expense	<u>\$ 396.75</u>
Service Pipe Expense	<u>\$ 12.00</u>
Installation Labor Expense	<u>\$ 105.00</u>
Installation Equipment Expense	<u>\$ 180.00</u>
Installation Miscellaneous Expense	<u>\$ 70.00</u>
Overhead Expense	<u>\$ 40.87</u>
Administrative Expense	<u>\$ 89.86</u>

Total Connection Expense \$ 894.48

Administrative Expense Clarification

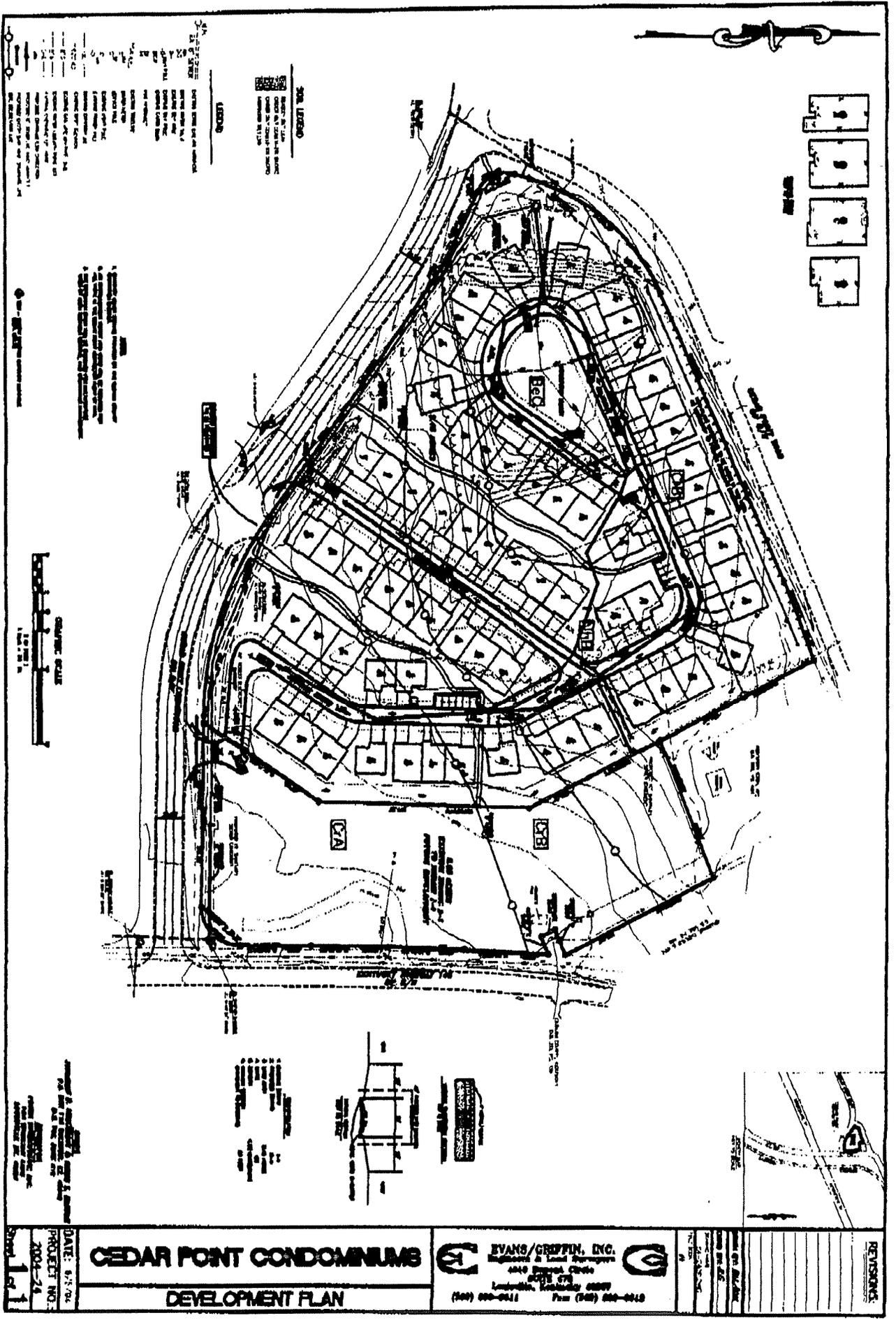
Avg. wage for 4 office personal	\$ 36,400.00
FICA match 7.65%	\$ 2,784.60
Company match retirement 8.48%	\$ 3,086.72
Unemployment Ins. 1.5% x 8000	\$ 120.00
Health Ins. Prem. (Company paid avg. prem. Per year)	\$ 13,235.40
Dental Ins (Company paid ave. prem. Per year)	\$ 293.04
Disability Ins. (yearly)	\$ 150.00
Workman Comp.	\$ 563.93

Yearly Cost **\$ 56,633.69**

Yearly Cost \$ 56,633.69 ÷ 2080 Hourly Cost = **\$ 27.23**

Office Cost per Hour 27.23 x 3hrs 20 minutes = **\$ 89.86**

Administrative Expense **(\$ 89.86)**



OLDHAM COUNTY WATER DISTRICT
FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

DAVID B. HICKS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

4244 Darbrook Road
Louisville, Kentucky 40207

Phone (502) 893-9967
Fax (502) 894-9526
Email dhicks@iglou.com

to the Commissioners
Oldham County Water District
Buckner, Kentucky

I have audited the accompanying balance sheets of the Oldham County Water District as of December 31, 2003 and 2002, and the related statements of income, retained earnings, cash flows and supplementary data for the years then ended. These financial statements are the responsibility of the District's commissioners. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted our audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimated made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Oldham County Water District as of December 31, 2003 and 2002, and the results its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



David B. Hicks
Certified Public Accountants

May 23, 2004

OLDHAM COUNTY WATER DISTRICT

Balance Sheets

December 31, 2003 and 2002

ASSETS

	2003	2002
Current Assets		
Cash	\$ 705,171	\$ 309,175
Customer accounts receivable	312,945	310,704
Supplies and materials	160,891	156,957
Prepaid expense	28,393	17,843
	<u>1,207,400</u>	<u>794,679</u>
Restricted Assets		
Bond and Interest Redemption Fund	-	232,121
Oldham County Water Sinking Fund	328,943	347,128
Kentucky Infrastructure Loan Reserve Fund	1,060,539	656,578
Depreciation Fund	143,150	127,813
Meter Deposit Fund	41,494	41,250
Loan proceeds held by Ky Infrastructure	581,373	-
Construction Fund	883,111	5,611
	<u>3,038,610</u>	<u>1,410,501</u>
Utility Plant, at cost		
Utility plant in service	23,704,212	19,546,161
less: accumulated depreciation	<u>(8,822,508)</u>	<u>(8,305,331)</u>
	<u>14,881,704</u>	<u>11,240,830</u>
Deferred Debits		
Unamortized debt discount and expense	283,720	205,847
Deferred rate case cost	31,360	50,656
Deferred well head protection costs	205,709	135,211
Construction planning and work in progress	62,895	1,852,417
	<u>583,684</u>	<u>2,244,131</u>
	<u>\$ 19,711,398</u>	<u>\$ 15,690,141</u>

The Notes to Financial Statements are an integral part of this statement.

LIABILITIES, RESERVES AND CAPITAL

	2003	2002
Current Liabilities		
Current maturities of long term debt	\$ 479,757	\$ 342,285
Construction loan	-	1,000,000
Accounts payable	55,742	95,226
Accounts payable, construction costs	194,109	630,031
Accrued interest	80,989	14,709
Withheld and accrued payroll taxes	3,386	2,542
Tax collections payable	5,493	11,830
Other collections payable	35,794	32,791
Accrued expenses	2,942	16,033
Total Current Liabilities	<u>858,212</u>	<u>2,145,447</u>
Long Term Debt		
Water Revenue bonds payable	-	220,000
Loan payable Kentucky Infrastructure Authority	9,569,010	4,636,999
Less: Current maturities	(479,757)	(342,285)
Total Liabilities	<u>9,089,253</u>	<u>4,514,714</u>
	<u>\$ 9,947,465</u>	<u>\$ 6,660,161</u>
Reserves		
Reserve for Bond and Interest Redemption Fund	-	232,121
Reserve for Oldham County Water Sinking Fund	328,943	347,128
Reserve for Depreciation Reserve Fund	143,150	127,813
Reserve for Customer Meter Deposits	40,320	37,746
	<u>512,413</u>	<u>744,808</u>
Contributions in Aid of Construction	5,196,646	5,052,993
Retained Earnings	<u>4,054,874</u>	<u>3,232,179</u>
	<u>\$ 19,711,398</u>	<u>\$ 15,690,141</u>

The Notes to Financial Statements are an integral part of this statement.

OLDHAM COUNTY WATER DISTRICT
 Statements of Income and Retained Earnings
 Years Ended December 31, 2003 and 2002

	2003	2002
Water Sales	\$ 3,042,656	\$ 2,806,617
Other Operating Revenue	<u>95,363</u>	<u>85,886</u>
Total Operating Revenues	3,138,019	2,892,503
Operating Expenses	1,427,019	1,319,299
Depreciation	<u>595,046</u>	<u>584,149</u>
Total Operating Expense	<u>2,022,065</u>	<u>1,903,448</u>
Operating Income	1,115,954	989,055
Non Operating Income	55,265	60,020
Non Operating Expense	<u>583,493</u>	<u>302,626</u>
Net Income (Loss)	\$ 587,726	\$ 746,449
Retained Earnings, beginning	3,232,179	2,545,107
Net Decrease (Increase) in:		
First Bond and Interest Redemption Fund	232,121	(189,503)
Oldham County Water Sinking Fund	18,185	(86,770)
Bond Reserve Fund	-	201,210
Depreciation Reserve Fund	<u>(15,337)</u>	<u>15,686</u>
Retained Earnings, ending	<u>\$ 4,054,874</u>	<u>\$ 3,232,179</u>

The Notes to Financial Statements are an integral part of this statement.

OLDHAM COUNTY WATER DISTRICT

Statements of Cash Flows

Years Ended December 31, 2003 and 2002

	2003	2002
Cash Flows from Operating Activities		
Net Income	\$ 587,726	\$ 746,449
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	595,046	584,824
Amortization	62,562	21,501
Decrease (Increase) in accounts receivable	(2,241)	(75,871)
(Increase) in supplies and materials	(3,934)	(21,876)
Decrease in prepaid expense	(10,550)	(3,571)
Increase (decrease) in accounts payable	(39,484)	3,222
Increase (decrease) in construction costs payable	(435,922)	630,031
Increase (Decrease) in accrued interest	66,280	6,295
Increase (Decrease) in accrued payroll tax	844	(497)
Increase in collections payable	(3,334)	13,223
Increase in accrued expense	(13,091)	7,995
Increase (Decrease) in Meter Deposit liability	2,574	(1,334)
Contributions in Aid of Construction	143,653	342,266
Net (Increase) Decrease in:		
Bond and Interest Redemption Fund	232,121	(189,503)
Oldham County Water Sinking Fund	18,185	(86,770)
Bond Reserve Fund	-	201,210
Kentucky Infrastructure Loan Reserve Fund	(403,961)	(6,396)
Depreciation Fund	(15,337)	15,686
Meter Deposit Fund	(244)	(350)
Construction Fund	(877,500)	36,871
Cash Provided by Operating Activities	<u>(96,607)</u>	<u>2,223,405</u>
Cash Flows applied to Investing Activities		
Construction planning and work in progress		
Payment of rate case costs	-	(56,988)
Payment of wellhead protection costs	(88,386)	(135,211)
Payment of cost to remove water tanks	(43,100)	-
Purchase of equipment	(2,403,102)	(2,006,945)
Cash Used by Investing Activities	<u>(2,534,588)</u>	<u>(2,199,144)</u>

The Notes to Financial Statements are an integral part of this statement.

OLDHAM COUNTY WATER DISTRICT

Statements of Cash Flows

Years Ended December 31, 2003 and 2002

	2003	2002
Cash Flows Applied to Financing Activities		
Repayment of Water Revenue Bonds	(220,000)	(70,000)
Repayment of Kentucky Infrastructure Loans	(432,989)	(267,366)
Payment of issue and discount expense on loan	(103,447)	
Proceeds of Kentucky Infrastructure loan net of funds held by for future disbursement	4,783,627	-
Proceeds (repayment) of short term loan	<u>(1,000,000)</u>	<u>335,000</u>
Cash Provided by Financing Activities	<u>3,027,191</u>	<u>(2,366)</u>
Net Increase in Cash	395,996	21,895
Cash at beginning of year	<u>309,175</u>	<u>287,280</u>
Cash at end of year	<u><u>\$ 705,171</u></u>	<u><u>\$ 309,175</u></u>

The Notes to Financial Statements are an integral part of this statement.

OLDHAM COUNTY WATER DISTRICT
 Statement of Changes in Fund Balance
 Bond and Interest Redemption Fund and
 Oldham County Water District Sinking Fund
 Years Ended December 31, 2003 and 2002

	2003	2002
<u>Bond and Interest Redemption Fund</u>		
Balance, beginning	\$ 232,121	\$ 42,618
Add:		
Funding from the District	-	67,222
Transfer from reserve fund	-	204,848
Income from invested funds	-	483
	<u>232,121</u>	<u>315,171</u>
Less:		
Retirement of bonds	220,000	70,000
Payment of interest on bonds	6,050	13,050
Refund to the District	6,071	-
	<u>232,121</u>	<u>83,050</u>
Balance, ending	\$ -	\$ 232,121

	2003	2002
<u>Oldham County Water District Sinking Fund</u>		
Balance, beginning	\$ 347,128	\$ 260,358
Add:		
Funding from the District	840,000	600,000
Income from invested funds	2,335	3,933
	<u>1,189,463</u>	<u>864,291</u>
Less:		
Repayment of Infrastructure loans	432,989	267,366
Payment service fee on loans	13,483	6,592
Payment of interest on loans, net of portion paid by Kentucky Infrastructure loan reserve	414,048	243,205
Bank service charge	-	-
	<u>860,520</u>	<u>517,163</u>
Balance, ending	\$ 328,943	\$ 347,128

The Notes to Financial Statements are an integral part of this statement.

OLDHAM COUNTY WATER DISTRICT
Statement of Changes in Fund Balance
Bond Reserve Fund, Kentucky Infrastructure Reserve Fund
and Depreciation Reserve Fund
Years Ended December 31, 2003 and 2002

<u>Bond Reserve Fund</u>	2003	2002
Balance, beginning	\$ -	\$ 201,210
Add:		
Income from invested funds	-	3,638
	-	204,848
Less:		
Transfer to Bond and Interest Redemption Fund	-	204,848
Balance, ending	\$ -	\$ -
<u>Kentucky Infrastructure Reserve Fund</u>		
Balance, beginning	\$ 656,578	\$ 650,182
Add:		
Loan reserve for Loan C01-02	394,410	-
Income from invested funds	17,622	22,538
	412,032	22,538
Less:		
Income applied to interest expense	8,071	16,142
Balance, ending	\$ 1,060,539	\$ 656,578
<u>Depreciation Reserve Fund</u>		
Balance, beginning	\$ 127,813	\$ 143,499
Add:		
Funding from General Fund	14,400	14,400
Income from invested funds	937	1,636
	15,337	16,036
Less:		
Disbursement for Purchase of assets	-	31,722
	\$ 143,150	\$ 127,813

The Notes to Financial Statements are an integral part of this statement.

OLDHAM COUNTY WATER DISTRICT

Notes to Financial Statements

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Organization

The Oldham County Water District was created by Order of the county Judge / Executive of Oldham County, Kentucky, on April 16, 1979. This order approved the merger of the existing Ohio River - Oldham Water District and the Oldham County Water District No. 3. The waterworks system of the District is owned and operated by the District under the provisions of Chapters 74 and 106 and Sections 96.350 through 96.510, inclusive, of the Kentucky Revised Statutes.

Utility Plant

The utility plant is stated at original cost. Construction Work in Progress is recorded at cost and includes interest paid on funds borrowed during the construction period.

Depreciation

Depreciation is provided on the straight-line method over the estimated useful lives of the depreciable plant. The estimated useful lives of the utility plant components are as follows:

Structures and Improvements	40 Years
Equipment and machinery	10 Years
Meters	10 Years
Transmission lines	40 Years
Office equipment	10 Years
Transportation equipment	5 Years

NOTE 2 - RESTRICTED ASSETS

Bond and Interest Redemption Fund

The bond indenture for the Ohio River-Oldham Water District Water Revenue Bonds, Series 1965, dated July 1, 1965 required the establishment of a Bond and Interest Redemption Fund and a Bond Reserve Fund. The Bond and Interest Redemption Fund is to be funded with one-sixth of the next interest payment due and one-twelfth of the next principal payment. The bonds were retired in January 2003.

Bond Reserve Fund

The Bond Reserve Fund is a requirement of the Ohio River-Oldham Water District Water Revenue Bonds, Series 1965. The fund is to be funded at the rate of \$1,000 per month until such time as it contains \$75,000. Since December 31, 1992 the fund has contained the required balance and no further deposits have been required. This fund is to be used to cover any shortages in the Bond and Interest Redemption Fund. The funds in this account were transferred to the Bond and interest redemption fund in December 2002 and used to payoff the bonds in 2003.

OLDHAM COUNTY WATER DISTRICT

Notes to Financial Statements

NOTE 2 - RESTRICTED ASSETS (Continued)

Oldham County Water District Sinking Fund

The Oldham County Water District Sinking Fund was established by the Oldham County Water District No. 3 Waterworks Revenue Bonds of 1976. It was established for the purpose of accumulating the funds to make the debt service payments on the Farmers Home Administration Bond Issues. With the repayment of the Farmers Home Administration Bonds during the year the requirement to maintain this fund terminated. However the District has decided to continue using the fund to accumulate the funds for the repayment of the Kentucky Infrastructure Authority loan.

Kentucky Infrastructure Authority Reserve Fund

This fund is comprised of the reserve funds for the 1993 Refinancing Bonds, the 1995 Refinancing Bonds and the 1996 loan. The three reserve funds were funded with money withheld by the Kentucky Infrastructure Authority from the proceeds of the loans. They are held by the Trustee and are to provide the District's share of the debt service reserve fund required by the Indenture in connection with the issuance of the Refunding Bonds.

The reserve fund for the 1993 Refunding Bonds allows the income earned to be applied as a credit against the interest expense of the debt.

Oldham County Water Depreciation Reserve Fund

The Oldham County Water Depreciation Reserve Fund was established by the Bond Resolution for the 1981 Series Bonds. With the retirement of the FmHA bonds there is no requirement to continue this fund. It is, however, the intent of the District to continue to fund this account to accumulated funds for future major repairs and maintenance as well as for capital projects needs.

NOTE 3 - CONSTRUCTION PROJECTS

The continuing growth of Oldham County has forced the District to develop a plan to substantially increase the water distribution system. In 2001 the District constructed a 24" water transmission main from US Highway 42 to Highway 146. During 2002 construction was started on two new water storage tanks and distribution mains. In 2003 these tanks were completed as well as additional distribution lines. Future plans call for the construction of an additional wells, additional distribution line from the water treatment plant, expansion of the treatment plant and more water storage. These projects are estimated to cost \$11,725,000. The District is investigating all potential methods of financing these additions.

OLDHAM COUNTY WATER DISTRICT

Notes to Financial Statements

NOTE 4 - DEFERRED CHARGES

The deferred charges related to the issuance of the water revenue bonds and the Kentucky Infrastructure Authority loan are be amortized over the life of the bonds and loan.

A summary of the discount and issue expenses are as follows:

	Original Amount	Prior	A M O R I T I Z A T I O N	
			Current	Remaining
1965 Water Revenue Bonds	\$ 117,390	\$ 108,953	\$ 8,437	\$ -
Kentucky Infrastructure Loans				
Loan C89-49	104,807	39,047	3,653	62,107
Loan C88-10	189,129	72,244	7,597	109,288
Loan C96-01	19,549	4,785	1,002	13,762
Loan C01-02	103,447	-	4,884	98,563
	\$ 534,322	\$ 225,029	\$ 25,573	\$ 283,720

NOTE 5 - LONG TERM DEBT

The long term debt of the District consists of one issue of Water Revenue Bonds and loans from the Kentucky Infrastructure Authority.

Water Revenue Bonds Series 1965

This series of water revenue bonds were originally issued by the Ohio River Oldham Water District to fund the construction of the ordinal water source plant, treatment plant and distribution system. The face amount of the issue was \$1,300,000. The bonds have an interest rate of four and one half percent (4-1/2%) with interest payable January 1 and July 1 of each year. The District is required by the Bond Indenture to establish and fund a Bond and Interest Redemption Fund. The bonds are secured by a first mortgage on the waterworks. These bonds were retired as of January 15, 2003.

Kentucky Infrastructure Loans of 1988 - refinanced 1993

In 1988 the Kentucky Infrastructure Authority made five loans to the Oldham County Water District. The proceeds of these loans were used to payoff the debt that the District had with the Farmers Home Administration and finance the loan fees and reserve fund requirements. In April 1993 these loans were refinanced for the purpose of lowering the interest rate. The loan is due in semi annual installments due January 1 and July 1. The interest rate on the loan started at 2.5% and increases annually until July 1, 2008 when the rate reaches 5.75%. The Kentucky Infrastructure is charging a servicing fee of .1% of the unpaid balance semi-annually.

OLDHAM COUNTY WATER DISTRICT

Notes to Financial Statements

NOTE 5 - LONG TERM DEBT (Continued)

	Principal Maturities	Interest	Total Requirement
2004	\$ 128,011	\$ 160,227	\$ 288,238
2005	133,932	153,507	287,439
2006	149,125	146,308	295,433
2007	136,259	138,255	274,514
2008	143,670	130,761	274,431
2009 - 2018	2,133,556	770,554	2,904,110
	<u>\$ 2,824,553</u>	<u>\$ 1,499,612</u>	<u>\$ 4,324,165</u>

Kentucky Infrastructure Loans of 1989

In 1989 the District borrowed \$1,503,784 from the Kentucky Infrastructure Authority to pay for additions made to the water distribution system. In 1995 the loan was refinanced by the Kentucky Infrastructure to lower interest rates. The restructured loans interest rate increases over the life of the loan. At reissuance the rate was 4.25% and will increase by approximately .1% every other year to a maximum rate of 5.75% on June 2, 2007. The loan is payable in semi annual installment of principal and interest. The final payment that is due June 1, 2007 will be \$73,846.25. The Kentucky Infrastructure is charging a servicing fee of .1% of the unpaid balance semi-annually.

	Principal Maturities	Interest	Total Requirement
2004	\$ 116,746	\$ 31,004	\$ 147,750
2005	123,154	24,527	147,681
2006	130,146	17,565	147,711
2007	137,629	10,073	147,702
2008	183,369	39,125	222,494
	<u>\$ 691,044</u>	<u>\$ 122,294</u>	<u>\$ 813,338</u>

Kentucky Infrastructure Authority Governmental Agencies Program Revenue Bonds - Series 1999

On May 5, 1999 the District closed on permanent financing to pay for the construction of water treatment plant additions and water storage tanks. The total amount borrowed was \$1,175,000. This covered construction costs, issuance fees and a reserve fund. At issuance the interest rate on the loan was 3.2%. This will increase to 4% on July 1, 2000 and to 4.125% on July 1, 2005. There after the interest rate will increase by approximately .125% per year until it reaches 5% on July 1, 2015. The loan requires semi-annual payments of interest on January 1 and July 1 of each year. Principal payments are to be made on July 1 of each year. The Kentucky Infrastructure is to be paid a servicing fee of 1/10 of 1% of the unpaid balance semi-annually.

OLDHAM COUNTY WATER DISTRICT

Notes to Financial Statements

NOTE 5 - LONG TERM DEBT (Continued)

	Principal		Total
	Maturities	Interest	Requirement
2004	\$ 45,000	\$ 43,494	\$ 88,494
2005	50,000	41,565	91,565
2006	50,000	39,500	89,500
2007	50,000	37,406	87,406
2008	55,000	35,141	90,141
2008 - 2018	705,000	187,153	892,153
	<u>\$ 955,000</u>	<u>\$ 384,259</u>	<u>\$ 1,339,259</u>

Kentucky Infrastructure Authority Governmental Agencies Program Revenue Bonds - Series 2002

On May 5, 1999 the District closed on permanent financing to pay for the construction of two water storage tank, distribution lines and wells. The total amount borrowed was \$5,365,000. This covered construction costs, issuance fees and a reserve fund. The interest rate of the loan varies for each years maturities of the loan. The loan requires semi-annual payments of interest on June 1 and December 1 of each year. Principal payments are to be made on June 1 of each year. The Kentucky Infrastructure is to be paid a servicing fee of 1/10 of 1% of the unpaid balance semi-annually.

	Interest	Principal		Total
	Rate	Maturities	Interest	Requirement
2004	2.750%	\$ 190,000	\$ 224,944	\$ 414,944
2005	3.000%	195,000	219,406	414,406
2006	3.000%	200,000	213,481	413,481
2007	3.500%	205,000	206,894	411,894
2008	4.000%	215,000	199,006	414,006
2009	4.250%	220,000	190,031	410,031
2010	4.000%	230,000	180,756	410,756
2011	4.000%	240,000	171,356	411,356
2012	4.125%	250,000	161,400	411,400
2013	4.250%	260,000	150,719	410,719
2014	4.370%	275,000	139,178	414,178
2015	4.500%	285,000	126,750	411,750
2016	4.625%	300,000	113,400	413,400
2017 - 2022	4.750 - 5.000	2,145,000	337,232	2,482,232
		<u>\$ 5,210,000</u>	<u>\$ 2,634,553</u>	<u>7,844,553</u>

OLDHAM COUNTY WATER DISTRICT

Notes to Financial Statements

NOTE 6 - RATE CASE AND WELLHEAD PROTECTION COST

Costs incurred by the District for obtaining a rate increase and for wellhead protection have been capitalized by order of the Public Service Commission. These costs are being amortized over 3 years for the rate case and over the weighted average life of the wells (12.75 years) for the wellhead protection cost.

OLDHAM COUNTY WATER DISTRICT

Balance Sheet Detail

December 31, 2003 and 2002

	2003	2002
<u>Bond and Interest Redemption Fund</u>		
Principal Cash	\$ -	\$ 220,873
Income Cash	-	11,248
Marketable Securities	-	-
	<u>\$ -</u>	<u>\$ 232,121</u>
<u>Oldham County Water Sinking Fund</u>		
Temporary Cash Investments	<u>\$ 328,943</u>	<u>\$ 347,128</u>
<u>Bond Reserve Fund</u>		
Principal Cash	\$ -	\$ -
Income Cash	-	-
Marketable Securities	-	-
	<u>\$ -</u>	<u>\$ -</u>
<u>Kentucky Infrastructure Loan Reserve</u>		
Temporary Cash Investments	<u>\$ 1,060,539</u>	<u>\$ 656,578</u>
<u>Depreciation Fund</u>		
Temporary Cash Investments	<u>\$ 143,150</u>	<u>\$ 127,813</u>
<u>Meter Deposit Fund</u>		
Cash	\$ -	\$ 2,005
Temporary Cash Investments	<u>41,494</u>	<u>39,245</u>
	<u>\$ 41,494</u>	<u>\$ 41,250</u>
<u>Construction Fund</u>		
Temporary Cash Investments	<u>\$ 883,111</u>	<u>\$ 5,611</u>

OLDHAM COUNTY WATER DISTRICT

Income Statement Detail

Years Ended December 31, 2003 and 2002

	2003	2002
<u>Water Sales</u>		
Metered sales to residential customers	\$ 2,011,664	\$ 1,913,209
Metered sales to commercial customers	252,254	205,060
Metered sales to industrial customers	354,510	320,009
Metered sales to educational customers	30,703	19,284
Sales to public authorities	27,174	6,059
Sales for resale	366,351	342,996
	<u>\$ 3,042,656</u>	<u>\$ 2,806,617</u>
<u>Other Operating Revenue</u>		
Customer penalty	\$ 34,150	\$ 33,134
Private fire protection revenue	1,020	1,020
Rents from water property	33,577	33,300
Other revenue	26,616	18,432
	<u>\$ 95,363</u>	<u>\$ 85,886</u>
<u>Non operating Income</u>		
Revenue from contract work	\$ 27,722	\$ 26,739
Interest income	27,543	33,281
	<u>\$ 55,265</u>	<u>\$ 60,020</u>
<u>Non Operating Expense</u>		
Interest - Water revenue bonds	\$ -	\$ 12,575
Interest - Kentucky Infrastructure loans	502,233	259,347
Interest expense - other	1,956	2,611
Loan service fee	16,742	6,592
Amortization of debt discount and issue expense	25,574	15,065
Amortization of rate case cost	18,996	6,332
Amortization of wellhead protection costs	17,888	-
Amortization of organization expense	104	104
	<u>\$ 583,493</u>	<u>\$ 302,626</u>

OLDHAM COUNTY WATER DISTRICT

Income Statement Detail

Years Ended December 31, 2003 and 2002

	2003	2002
Source of Water Supply		
Operation labor	\$ 23,832	\$ 22,769
Employee benefits	7,284	5,967
Workers compensation insurance	469	488
Purchased Power	45,634	52,279
Purchased water	1,940	2,434
Materials and supplies	766	1,755
Contracted services	12,923	25,417
Transportation expense	550	446
Insurance	421	265
	<u>\$ 93,819</u>	<u>\$ 111,820</u>
Water Treatment Expense		
Operation labor	\$ 53,801	\$ 51,844
Employee benefits	17,603	16,263
Workers compensation insurance	1,058	1,111
Purchased Power	87,048	87,752
Chemicals	15,895	24,067
Materials and supplies	17,042	10,243
Contracted services	23,552	19,345
Transportation expense	2,266	1,839
Insurance	1,135	769
	<u>\$ 219,400</u>	<u>\$ 213,233</u>
Transmission and Distribution Expense		
Operation labor	\$ 104,911	\$ 116,356
Employee benefits	37,533	45,130
Workers compensation insurance	2,064	2,495
Purchased power	99,894	95,060
Materials and supplies	28,472	44,338
Engineering Services	32,141	10,232
Contracted services	91,951	78,157
Transportation expense	6,077	4,654
Insurance	8,006	4,738
Other	1,276	-
	<u>\$ 412,325</u>	<u>\$ 401,160</u>
Total forward to next page	<u>\$ 725,544</u>	<u>\$ 726,213</u>

OLDHAM COUNTY WATER DISTRICT

Income Statement Detail

Years Ended December 31, 2003 and 2002

	2003	2002
Total forward from prior page	<u>\$ 725,544</u>	<u>\$ 726,213</u>
Customer Accounts Expense		
Operation labor	\$ 219,578	\$ 182,181
Employee benefits	67,146	51,607
Workers compensation insurance	3,257	2,656
Materials and supplies	53,132	27,871
Contracted services	18,196	17,938
Rental of equipment	1,320	1,320
Transportation expense	9,339	7,580
Insurance	2,787	2,148
Bad debt expense	3,815	2,451
	<u>\$ 378,570</u>	<u>\$ 295,752</u>
Administrative and General Expense		
Administrative salaries	\$ 27,200	\$ 29,500
Operation labor	109,885	105,596
Employee benefits	90,186	66,019
Payroll taxes	42,212	40,607
Workers compensation insurance	1,269	1,472
Purchased power	2,180	2,101
Materials and supplies	349	161
Accounting services	10,325	10,225
Legal services	3,659	7,484
Contracted services	4,401	4,250
Transportation expense	3,056	2,759
Insurance	7,877	8,650
PSC assessment	5,273	4,232
Other taxes	330	375
Other expense	14,703	13,903
	<u>\$ 322,905</u>	<u>\$ 297,334</u>
Total operating expense	<u>\$ 1,427,019</u>	<u>\$ 1,319,299</u>



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PUBLIC SERVICE
COMMISSION

Beth A. O'Donnell
 Executive Director
 KY. Public Service Commission
 P.O. Box 615
 FRANKFORT, KY 40602

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